



***Program Compliance Office
Cal Grant Program Review Report***

2003-04 Award Year

**Santa Barbara Business College - Bakersfield
Program Review ID#90502577900**

**211 South Real Road
Bakersfield, CA 93309**

Program Review Dates: 8/8/2005 - 8/29/2005

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AUDITOR'S REPORT

SUMMARY We reviewed Santa Barbara Business College - Bakersfield's administration of California Student Aid Commission (Commission) programs for the 2003-04 award year.

The institution's records disclosed the following deficiencies:

- Cal Grant B Authorization Policy Deficient
- Commission Invoice Not Paid Timely
- Prior Year Funds in Cal Grant Account

BACKGROUND Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

B and C

The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: For Profit Proprietary Institution
- President: Dean Johnston
- Accrediting Body: Accrediting Council for Independent Colleges and Schools
- Size of Student Body: 232

B. Institutional Persons Contacted

- Mary Castodio: Financial Aid Officer
- Andrea Georges: Fiscal Officer

C. Financial Aid

- Date of Prior Commission Program Review: None
- Branches: None
- Federal Financial Aid: Pell, SEOG, Work-Study, Perkins, and Family Education Loans
- Financial Aid Consultant: None

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 5 students who received a total of 4 Cal Grant B awards and 1 Cal Grant C award within the review period. The program review sample included all students awarded.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on August 29, 2005.

August 29, 2005

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

C. FUND
DISBURSEMENT
AND REFUNDS:

FINDING: Cal Grant B Authorization Policy Deficient

A review of 4 Cal Grant B recipient files revealed that the Cal Grant B Access Authorization policy does not allow the student to rescind their authorization.

DISCUSSION:

According to the Institutional Participation Agreement, institution's must establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time. This policy should include the following items:

- Access or Books & Supplies payments are disbursed in accordance with school policy unless the student requests another action. For example, if the school normally applies Access funds directly to tuition, the student may request that the term amount be delivered directly to them.
- The student may make this request at any time; however, any cancellation only affects future payments.

A review of student Nos. 2, 3, 4, and 5 revealed that although the institution does obtain written authorization to apply funds as stated on the student's enrollment agreement and Financial Aid Award Worksheet; however, the policy does not allow the student to rescind their authorization.

REFERENCES:

Institutional Participation Agreement, Article IV.C.7
Cal Grant Manual, Chapter 9, page 4, September 2003
Cal Grant Manual, Chapter 11, page 2, September 2003

REQUIRED ACTION:

The institution must submit a revised Cal Grant B Authorization policy that allows students to rescind their authorization as directed in the Cal Grant Institutional Participation Agreement.

INSTITUTION RESPONSE:

SBBC has reviewed this finding and agrees with the auditor that the college did not have the correct verbiage to allow students to rescind their authorization at any time.

To correct this deficiency, the college has added the applicable policy to its Financial Aid Award Worksheet. Please see Exhibit A enclosed.

FINDINGS AND REQUIRED ACTIONS (continued)

AUDITOR REPLY:

The updated policies and procedures are deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY:

FINDING 1: Commission Invoice Not Paid Timely

The 2003-04 Cal Grant invoice was paid late by the institution.

DISCUSSION:

Cal Grant participating institutions are required to reconcile their accounts with the funds received from, disbursed and returned to the Commission for each academic year.

The institution's records and individual student accounts should equal the amount paid by the Commission. Should the institution's records of individual payments to eligible students be less than what the Commission paid, the institution must return the difference to the Commission.

If the school owes the Commission funds as a result of the final processing of grant payments for the academic year, an invoice will be sent to the school. Payments are due within thirty (30) days of the invoice date.

A final reconciliation of the Cal Grant Account letter was sent to the institution on January 10, 2005. The letter contained Invoice No. 2004123041773 showing a balance due of \$1,756.00 which was due in thirty days from the date of the invoice.

Santa Barbara Business College - Bakersfield paid the \$1,756.00 Cal Grant invoice on August 2, 2005 with check No. 1626. This invoice payment was made more than 5 months after the 30 day deadline.

REFERENCES:

Institutional Agreement, Article IV.D.2
Cal Grant Manual, Chapter 9, page 5
Cal Grant Final Reconciliation Letter, 1/10/05

REQUIRED ACTION:

The school is required to include in its "Cal Grant Reconciliation Procedure" instructions that will ensure all future Cal Grant invoices will be paid within the required timeframe.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

SBBC has reviewed this instance and agree with the auditor's finding.

Santa Barbara Business College has incorporated into its procedures a policy that all Cal Grant funds are paid within the required timeframe. This policy was established and used for the 2004-05 award year.

AUDITOR REPLY:

The updated policies and procedures are deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY:

FINDING 2: Prior Year Funds in Cal Grant Account

A review of institutional documents revealed that prior year funds were in the Cal Grant account.

DISCUSSION:

Schools are required to return to the Commission any funds remaining in their Cal Grant account after the close of an award year. Each January, institutions are invoiced for any remaining funds that may be left in the Cal Grant account. The invoices are based on information that the school has reported to the Commission. If, after the invoice has been paid, funds remain in the account, the institution must return the excess (unused Cal Grant funds, stale-dated warrants, etc.) funds to the Commission.

A review of the SBBC-CA State Workstudy Register for period 7/1/03 through 6/30/04 revealed that prior year Cal Grant funds of \$2,276.90 were in the account as follows.

\$15,512.90	Cal Grant balance prior to 2003-04 funds PLUS
16,853.00	2002-03 Credits to the Cal Grant Account MINUS
<29,337.00>	2002-03 Student Payments MINUS
<692.90>	Repayment to SBBC for loans to Cal Grant MINUS
<752.00>	<u>Payment of the 2002-03 Invoice EQUALS</u>
\$ 1,584.00	Excess Cal Grant funds prior to the 2003-04 Award Year

REFERENCES:

Institutional Agreement, Article IV.D.5
Cal Grant Manual, Chapter 9, September 2003
CSAC Operations Memo, GOM 99-06, Returning Prior Year Funds

REQUIRED ACTION:

The institution must return the **\$1,584.00** identified as excess prior year funds. Please submit all payments as directed in the general payment instructions.

FINDINGS AND REQUIRED ACTIONS (continued)

In addition, the institution must provide procedures that will be incorporated into the reconciliation procedures to ensure that after the school has reconciled its Cal Grant account any excess funds not disbursed by the end of an award year will be returned to the Commission.

INSTITUTION RESPONSE:

SBBC has reviewed this finding and concurs with the auditor.

As a result of the audit, the college is returning \$1,584 according to the general payment instructions. In addition, the college has incorporated additional procedures to ensure that after the school has reconciled its Cal Grant account, any excess funds not disbursed will be returned to the Commission immediately.

AUDITOR REPLY:

The institution returned \$1,584 on check # 1635 dated October 27, 2005 and updated policies and procedures. This action is deemed acceptable and no further action is required.

ATTACHMENT A - STUDENT SAMPLE

<i>ID</i>	<i>Student Name</i>	<i>Program & E/C</i>	<i>New/Renewal</i>
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